

GMIT Annual International Construction
Management Day

The Housing Market

A critical analysis of the costs of construction & building activity in Ireland

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Our data on The Housing Market

Independent data provided by SCSi membership

- Auctioneers, Agents, Valuers, Quantity, Building, Project & Geomatics Surveyors, Property & Facility Management.....(12 disciplines in total)
- Members involved in large/small schemes, public and private sector
- Real-time data on construction and property values/costs & trends
- Outlook of experts

The Housing Market Presentation

01.

Context

Current Trends

- Construction & Property Markets
- Covid impact on progress
- National Policy

02.

A closer look at Costs

- Houses
- Apartments
- Regionally
- Reuse of existing buildings

03.

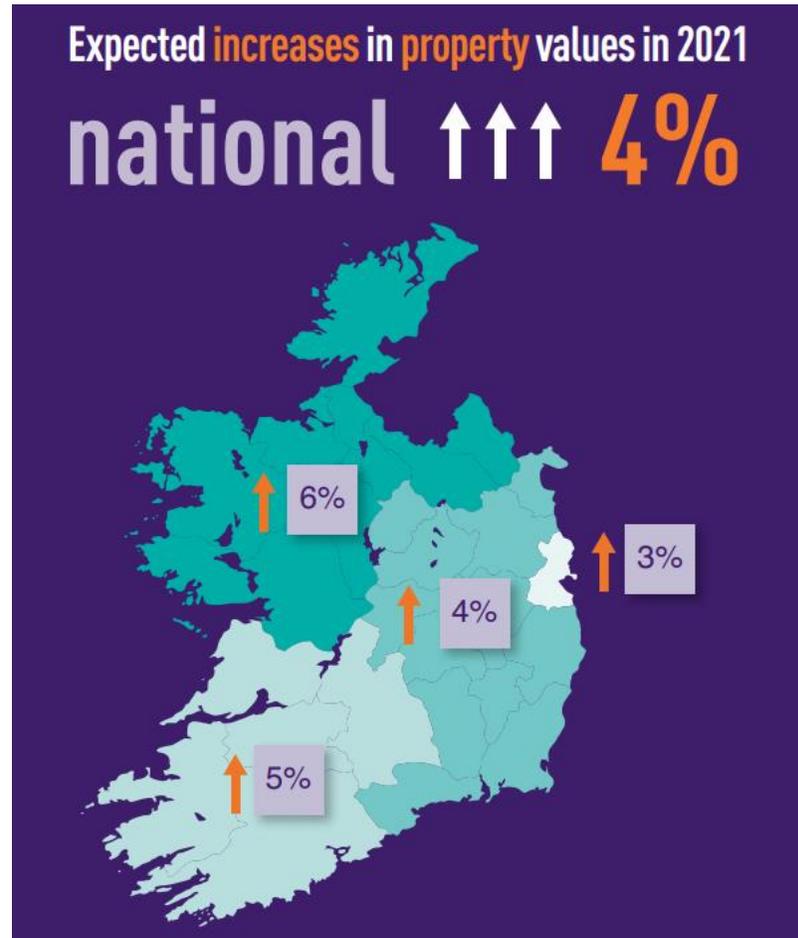
Possible Solutions

- Innovation in delivery
- Planning
- Public & Private housing collaboration

Residential Trends – Market & Mortgages

COVID - Getting property & construction back on its feet after COVID-19

- Pent up demand for residential accommodation
- Remote working and increased regional purchasing
- SCSi agents expect 4% uplift in values in 2021



Mortgage market

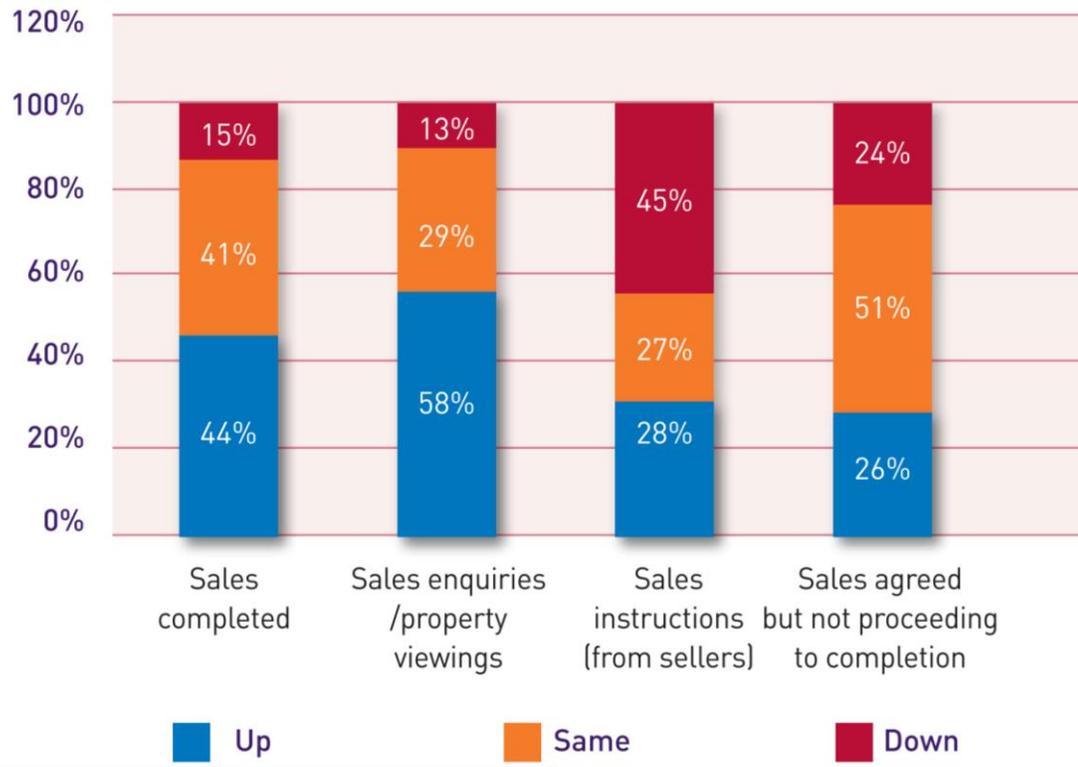
4% uplift in mortgage approval activity in 12 months

2.2% uplift in mortgage drawdowns – year to Dec 2020

CBI Rules working – ESRI

Sentiment of SCSi Auctioneers/Agents

Quarter-on-quarter market activity



Property Trends – SCSi Report Jan 2021

- COVID - Viewings closed from January
- Enquiries from purchasers increasing
- Demand to purchase homes remain high and increasing
- Expectation to reopen April 5th
- Challenge facing the market is significant lack of new and 2nd hand stock

Housing & Apartment Delivery – National Policy



More emphasis needed on apartment delivery

New apartments – **Building only 20%** that are planning approved

New houses – **Building 80%** that are planning approved

Housing targets

Industry and Government's collective responsibility and priority

Planning permissions to Q32020

- Scheme Houses 10,000
- Apartments 20,000
- Regional imbalance? - **73%** of apartments completed in 2019 located in **Dublin**.
- Built to Rent v Build to Sell imbalance – **75% Build to Rent**

Real Cost of New Housing Delivery Report

- €371k to deliver 3 bed semi to the market (12% inflation in 4 years)
- Let's take a couple each earning an average salary in Dublin of €44,000 p.a. with a combined total salary of €88,000

Average price of 3 bed semi / Cost of new house delivery	~€380,000(1)/ €371,000
Mortgage borrow limit (3.5 times gross income)	€308,000
Average couple - Deposit Requirement based on average 3 bed semi asking prices	€38,000
Average asking prices / New house delivery costs, exceeds borrow amount by -	-€34,000 / -€25,000

Apartments Total Development Costs (inc.vat on sale)



Category 1: Suburban (Low Rise)



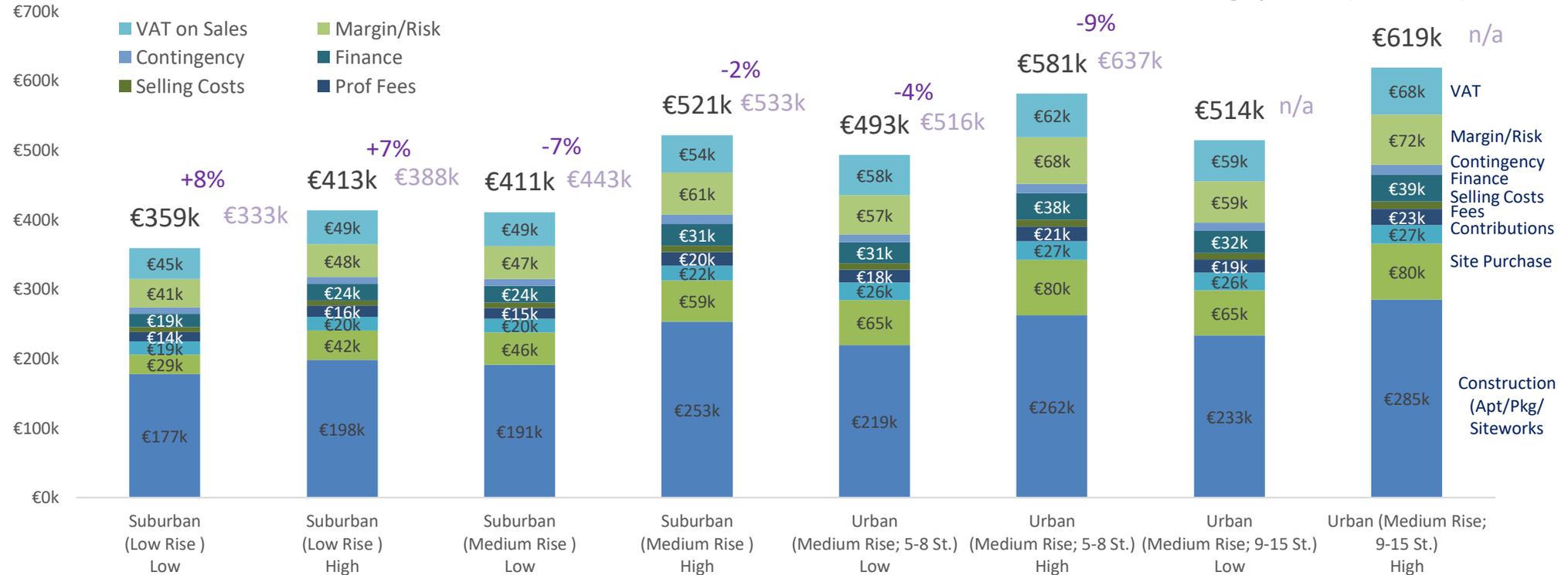
Category 2: Suburban (Medium Rise)



Category 3: Urban (Medium Rise; 5-8 St.)



Category 4: Urban (Medium Rise); 9-15 St.



Build to Sell Viability



Category 1: Suburban (Low Rise)



Category 2: Suburban (Medium Rise)



Category 3: Urban (Medium Rise; 5-8 St.)



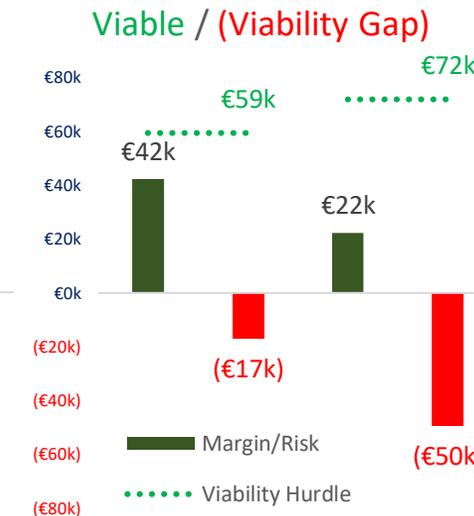
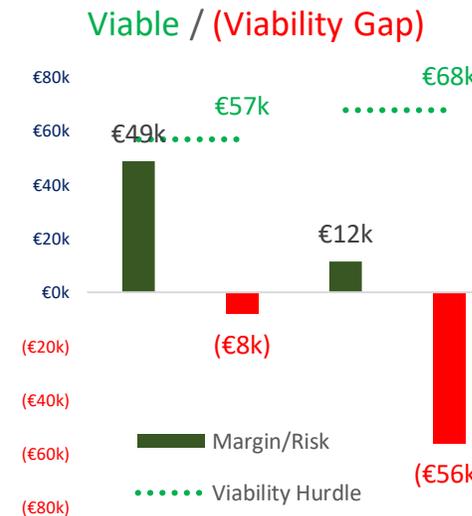
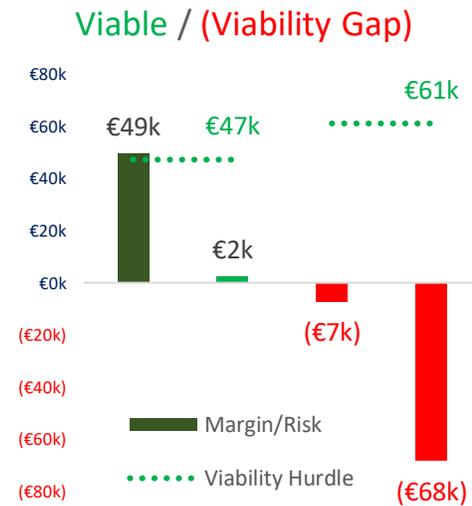
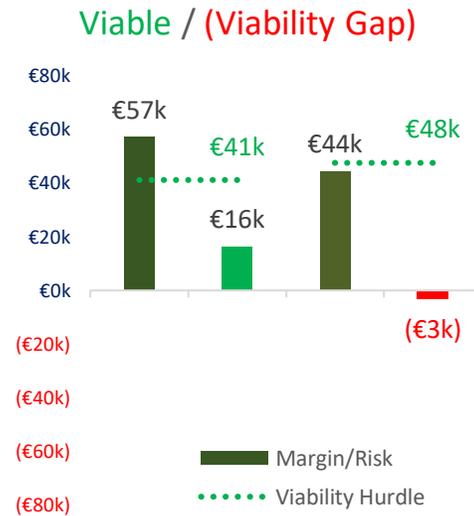
Category 4: Urban (Medium Rise); 9-15 St.

	Low	High
Total Cost	€273k	€317k
Total Sales	€330k	€361k
Margin/Loss	€57k	€44k
	21%	14%

	Low	High
Total Cost	€314k	€407k
Total Sales	€364k	€399k
Margin/Loss	€49k	-€8k
	16%	-2%

	Low	High
Total Cost	€379k	€451k
Total Sales	€427k	€463k
Margin/Loss	€49k	€11k
	13%	2%

	Low	High
Total Cost	€395k	€479k
Total Sales	€438k	€501k
Margin/Loss	€43k	€22k
	11%	5%



Viability issues in most categories where cost higher than sales price

Costs and Sales exclude VAT; Note figures are rounded to nearest €1,000

Build to Sell (BTS) vs. Build to Rent (BTR)

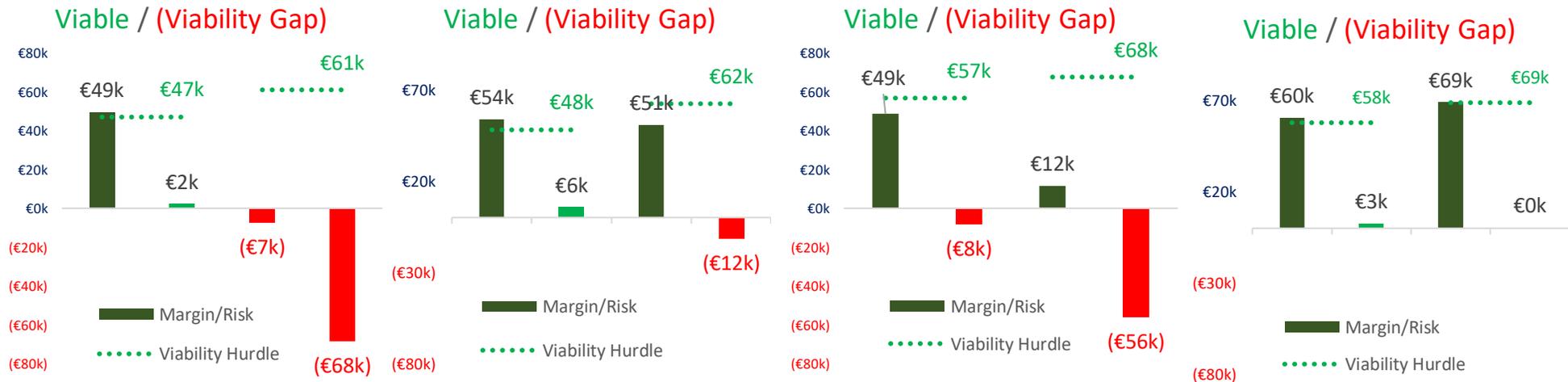


Category 2: Suburban (Medium Rise)



Category 3: Urban (Medium Rise; 5-8 St.)

Build to Sell			Build to Rent			Build to Sell			Build to Rent		
	Low	High									
Total Cost	€314k	€407k	Total Cost	€321k	€415k	Total Cost	€379k	€451k	Total Cost	€385k	€457k
Total Sales	€364k	€399k	Total Sales	€374k	€466k	Total Sales	€427k	€463k	Total Sales	€445k	€526k
Margin/Loss	€49k	-€7k	Margin/Loss	€54k	€51k	Margin/Loss	€49k	€12k	Margin/Loss	€60k	€69k
	16%	-2%		17%	12%		13%	3%		16%	15%



Although BTR costs slightly higher, they are more financially viable

Note figures are rounded to nearest €1,000

OBSERVATIONS & RECOMMENDATIONS



AFFORDABILITY	COSTS	SUPPLY
<p>1. Cost Rental – start design & procurement now across multiple State sites to enable quick start when Bill is enacted ●</p>	<p>6. Modern Methods of Construction - progress the journey towards a more digitalised and productive construction industry. ●</p>	<p>12. Land Development Agency – continue to support and resource LDA work to progress objectives. Strategic use of CPO powers. ●</p>
<p>2. Shared Equity – start public education programme now and invite expressions of interest so ready when Bill is enacted. ●</p>	<p>7. Building Regulations – carry out independent cost benefit analysis before implementing new regulations. ●</p>	<p>13. SHD Planning – carry out another Review to ensure correct decision in ceasing use. ●</p>
<p>3. Build to Rent – keep current Design and Finance regulatory framework – sudden changes would have negative impact on affordability. ●</p>	<p>8. Planning Resources – it takes c.14-18 months to get a 100-unit scheme to planning (assuming no JR) which adds significant holding costs. Planning reform required. ●</p>	<p>14. Public sector housing – Continue roll-out of public sector housing delivery ●</p>
<p>4. Public Building Cost Review – standardised construction cost reporting to end divisive debate of Public vs. Private. ●</p>	<p>9. Irish Water – delays by Utility company are causing significant delay and cost to projects. ●</p>	<p>15. Infrastructure – pre-fund site infrastructure to enable residential development. Similar to LIHAF, pre-funded etc. ●</p>
<p>5. Help to Buy - extend and provide certainty to duration of the scheme. ●</p>	<p>10. Construction Labour Resource – advance Apprenticeship scheme and other incentives to attract European workers. ●</p>	<p>16. Judicial Reviews – examine legal threshold to allow reviews. Significant delay to supply due to administrative errors. ●</p>
	<p>11. Living City Initiative/Bringing back homes – promote and provide financial incentive to deal with additional costs. ●</p>	<p>17. Local Area Plans - carry out Financial Viability test prior to implementation to ensure units can be delivered especially where increased density is envisaged. ●</p>
		<p>18. Accommodation – utilise all accommodation types to achieve target of c.35,000 units. BTS and Social alone will not meet target. ●</p>

Questions

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Question ?

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